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FM AMEMBASSY DAR ES SALAAM
TO RUEHC/SECSTATE WASHDC PRIORITY 4611
INFO RUEHUJA/AMEMBASSY ABUJA PRIORITY 0103
RUEHDS/AMEMBASSY ADDIS ABABA PRIORITY 3038
RUEHAN/AMEMBASSY ANTANANARIVO PRIORITY 0073
RUEHBP/AMEMBASSY BAMAKO PRIORITY 0038
RUEHJL/AMEMBASSY BANJUL PRIORITY 0202
RUEHBZ/AMEMBASSY BRAZZAVILLE PRIORITY 0008
RUEHRY/AMEMBASSY CONAKRY PRIORITY 0023
RUEHCO/AMEMBASSY COTONOU PRIORITY 0100
RUEHDK/AMEMBASSY DAKAR PRIORITY 0251
RUEHDJ/AMEMBASSY DJIBOUTI PRIORITY 0130
RUEHKM/AMEMBASSY KAMPALA PRIORITY 2812
RUEHLG/AMEMBASSY LILONGWE PRIORITY 5389
RUEHLS/AMEMBASSY LUSAKA PRIORITY 1723
RUEHTO/AMEMBASSY MAPUTO PRIORITY 7440
RUEHNR/AMEMBASSY NAIROBI PRIORITY 0215
RUEHOU/AMEMBASSY OUAGADOUGOU PRIORITY 0289
RUEHSA/AMEMBASSY PRETORIA PRIORITY 3201
RUEHWD/AMEMBASSY WINDHOEK PRIORITY 0292
RUEHYD/AMEMBASSY YAOUNDE PRIORITY 0023
RUEHC/SECSTATE WASHDC PRIORITY 4612

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SUBJECT: AGOA: TANZANIA'S TEXTILE SECTOR AND SUPPORT FOR
THIRD-COUNTRY FABRIC PROVISIONS

REF: STATE 131825

¶1. (U) SUMMARY. With twelve active manufacturers employing over 12,000 people, Tanzania's textile and apparel sector is slowly on the rise after near collapse in the mid-1990s. Except for two vertically integrated firms, Tanzania's textile companies source most of their fabric from China, India and Pakistan to produce African printed cloth or "khangas" for the local market. There are currently three major textile firms exporting to Europe and the U.S. There is also a major new investment on the horizon for an export-ready apparel factory established by a Cyprus-based company known as Cami Textiles Group. Regarding extension of the African Growth and Opportunity (AGO) third-country fabric provision, the industry view is divided: those firms which source fabric from abroad strongly favor the extension while Tanzania's largest vertically integrated textile firm, Sunflag, strongly opposes any extension. The Government of Tanzania (GOT) has come forth publicly in favor of extending the provision until 2015, issuing a request along with other AGO eligible countries during the fifth AGO Ministerial meeting in Washington D.C. in June 2006. END SUMMARY.

Tanzania's Textile and Apparel Production Facilities

¶2. (U) Tanzania's textile industry appears to be moving forward in terms of productive capacity and export potential. There are currently 12 active textile/apparel manufacturers which have a total production capacity of more than 224 million meters of dyed or printed fabric. Tanzania's Ministry of Industry, Trade and Marketing estimates that the textile industry employs approximately 12,700 people, more than half of whom are women. Approximately half of all textile/apparel firms are producing garments for the local market, ("khangas" and "kitenge") as well as bed sheets and blankets. The following list highlights Tanzania's key textile factories, the main products, estimates of capacity (million meters per

year) and employment figures:

| Factory | Product | Capacity | Employment |
|------------------|-------------------|----------|------------|
| A to Z Textiles | Garments | | 1,500 |
| Cami Apparel | Garments | | 1,600 |
| Cami Suma | Garments | | 320 |
| EverFit | Uniforms | | 115 |
| Karibu Textiles | Khanga | 40 | 600 |
| Kilimanjaro | Khanga | 8 | 600 |
| Mbeya Textile | Gray Cotton | 6 | 500 |
| Musoma Textiles | Khanga/bed sheets | 12 | 500 |
| Mwanza Textiles | Khanga/bed sheets | 15 | 1,300 |
| NIDA Textiles | Khanga/bed sheets | 9 | 800 |
| Namera Group | Gray cloth | 18 | 600 |
| Sunflag | Garments | 25 | 3,000 |
| Urafiki Textiles | Yarn | | 1,284 |
| | Gray woven fabric | 23 | |
| | Printed fabric | 24 | |
| TOTAL EMPLOYEES: | | | 12,719 |

Fabric Imported From China, India, Pakistan

¶3. (U) Of the 12 main manufacturers, Sunflag and A-to-Z Textiles, are the only two vertically integrated firms, spinning cotton, knitting, weaving, dyeing, and finishing garments. Sunflag's fabric, for example, is 100 percent

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cotton ring spun and finished into knitted tops for men, women and children. Otherwise, Tanzania's textile manufacturers primarily source their fabric from Asia: Karibu Textiles and NIDA Textiles buy their fabric from India and Pakistan, while New Mwanza Textile Mill, Urafiki Textiles, and Cami Textiles Group buy fabric from China. According to the Managing Director of Cami Textiles Group, Maurice Lezmi, fabric sourced from China is the only way to remain cost competitive in the low margin textile market that his company targets.

New Textile Investment from Cyprus

¶4. (U) Cyprus' Cami Textiles Group, a holding company with six factories in Bulgaria, is the newest, significant investor in Tanzania's apparel sector. Cami Textiles Group has invested approximately USD 5 million in three factories in the Dar es Salaam area. In early 2006, Cami Apparel opened a small and medium sized factory, Everfit Apparel and Cami Suma respectively. In September 2006, Cami Textiles Group will open Cami Apparel, its third and largest apparel factory in Tanzania's new Export Processing Zone (EPZ). Cami Textiles Group uses Mitsubishi sewing machines from Japan and sources the vast majority of its fabric from China. The following are the estimated number of machines and employees per Cami Group factory:

| Factory | Machines (Mitsubishi) | Employees |
|--------------|-----------------------|-----------|
| Everfit | 135 | 115 |
| Cami Suma | 350 | 320 |
| Cami Apparel | 900 | 1600 |

Tanzania's Textiles Target Bargain Market

¶5. (U) Currently, Sunflag is the only textile company exporting significant quantities under AGOA, with approximately USD 3.8 million worth of exports in 2005. The company targets a low-end market with customers in the United States such as WalMart. Both NIDA and Urafiki Textiles export apparel to Europe, also targeting the lower-end market. With its new factory in the EPZ, Cami Textiles Group

intends to begin exporting to the United States under AGOA. According to Lezmi, Cami will sell its products through already well-established relationships between Cami (in Bulgaria) and buyers such as WalMart and Champion. The remaining textile companies in Tanzania are primarily producing African printed fabrics ("khanga") as well as bed sheets and blankets for the local market.

Comment: Industry Divided on Extension

16. (U) While the Government of Tanzania (GOT) supports an extension of the AGOA third-country fabric provision, the industry view on the extension of third-country fabric provision is divided between those firms which are vertically integrated and those which are not. Sekela Mwaisela, AGOA Desk Officer at the Ministry of Industry, Trade and Marketing, recently informed post in writing of its joint request to U.S. Congress, in collaboration with other AGOA eligible countries, for the extension of the third country fabric provision from 2007 until 2015.

17. (U) Because Sunflag is vertically integrated, making its own yarns and fabrics, the company does not stand to benefit from an extension of the AGOA third-country fabric provision. Rajeev Shah, Managing Director of Sunflag noted, "We do not support an extension as it will defeat the purpose of building regional capacity. We have invested in modernizing

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our plant and machinery with the 2007 deadline in mind. If the provision is extended our investment will have no meaning and we will be another tailoring shop exporting cheap labor from Africa instead of exporting value added garments made from African raw materials." Equally emphatic from the other side, Lezmi of Cami Textiles Group stressed, "If the third-country fabric provision is not extended, that will kill our chances to export under AGOA, that will kill our investment here in Tanzania as well as the new jobs our largest factory is ready to create."
RETZER